



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0393	Title:	Revise vehicle security interest & title filing fees; driver license renewals
Primary Sponsor:	Arntzen, Elsie	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$15,840	\$0	\$0
State Special Revenue	\$0	\$10,560	\$0	\$0
Other	\$0	\$2,500	\$7,500	\$12,000
Revenue:				
General Fund	\$0	\$0	\$0	(\$106,500)
State Special Revenue	\$0	\$512,800	\$519,200	\$2,627,600
Other	\$0	\$2,500	\$7,500	\$12,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>(\$15,840)</u>	<u>\$0</u>	<u>(\$106,500)</u>

Description of fiscal impact: SB 393 extends certain vehicle title and lien fees, and directs the fees to the motor vehicle information technology system account. The bill provides for an online new drivers' license renewal system. The bill eliminates a general fund fee and extends state special revenue fees slated to expire in FY 2017 and FY 2019.

FISCAL ANALYSIS

Assumptions:

- SB 393 extends the termination date certain vehicle title and lien fees and directs the fees to the motor vehicle information technology system account. The bill also provides for a new online driver's license renewal system.
- Under present law the security interest fee (\$8.00) under 61-3-103 (8) (b), MCA, is set to drop by 50% in FY 2017 as the \$4.00 motor vehicle information technology portion of the fee expires. The \$10.00 lien

removal fees found in 61-3-103 (9) is set to be reduced by 50% in FY 2019 as the \$5.00 information technology fee expires. The remainder of the fees are directed to the state general fund.

3. Under current law, the titling fees found in 61-3-203 for light motor vehicles are \$12.00, and all other small vehicles and watercraft are \$10.00. The replacement title fee under 61-3-204, MCA is also \$10.00. \$5.00 of these fees are dedicated to the state special revenue account for motor vehicle information technology and the rest is directed to the state general fund.
4. The fees directed to the motor vehicle information technology state special revenue account are used to fund the development, support, maintenance, and the repayment of any loans for the Montana Enhanced Registration and Licensing Network (MERLIN) under 61-3-550 MCA. Current fees are presented in the following table:

Current Law	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Security Interest Fee (61-3-103 (8), MCA)						
General Fund	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00	\$4.00
MV information Technology SSR	\$4.00	\$4.00	\$4.00	\$0.00	\$0.00	\$0.00
Security Interest Lien Removal Fee (61-3-103 (9), MCA)						
General Fund	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
MV information Technology SSR	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$0.00
Original Title Fees (61-3-203, MCA)						
<i>for Light vehicles or Truck under 1 ton</i>						
General Fund	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
MV information Technology SSR	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$0.00
<i>for All other (except heavy vehicles)</i>						
General Fund	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
MV information Technology SSR	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Replacement Title Fees (61-3-204, MCA)						
General Fund	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
MV information Technology SSR	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00

5. SB 393 eliminates the expiration of the state special revenue \$4.00 security interest fee in FY 2017. The security interest removal fee is maintained at its \$10.00 rate, but the full amount is directed to the state special revenue account in FY 2019.
6. SB 393 changes the titling fees by eliminating the expiration of the \$5.00 state special revenue motor vehicle information technology fee for all three of the titling fees in FY 2019.
7. The revenue effects of SB 393 are calculated by growing the FY 2014 transaction by the HJR 2 and OBPP estimated annual growth rate for these transactions in the forecast period, and multiplying those estimates by the change in the general fund and state special revenue allocations of the fees by. The growth rate of the transactions is projected to be 1.25% per year.
8. The change in law increases the state special revenue available to the motor vehicle information technology account by \$512,000 in FY 2017, \$519,200 in FY 2018 and \$2,627,600 in FY 2019. The bill would also reduce the general fund revenue by \$106,500 in FY 2019. The FY 2019 revenue effects would continue into the future and would grow by approximately 1.25% per year. The fee changes and the transactions with their resulting revenue effects are presented in the table below:

Change in Fees	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Security Interest Fee (61-3-108 (8), MCA)	123,457	125,000	126,600	128,200	129,800	131,400
General Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MV information Technology SSR	\$0.00	\$0.00	\$0.00	\$4.00	\$4.00	\$4.00
Number of Removals of Security Interest Liens	19,825	20,100	20,400	20,700	21,000	21,300
General Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$5.00
MV information Technology SSR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10.00
Original Titles						
Number of Light Vehicle Titles	240,079	243,100	246,100	249,200	252,300	255,500
General Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MV information Technology SSR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.00
Number of Other Vehicle Titles	106,256	107,600	108,900	110,300	111,700	113,100
General Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MV information Technology SSR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.00
Number of Replacement Titles	8,706	8,800	8,900	9,000	9,100	9,200
General Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MV information Technology SSR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.00
Changes in Title and Lien Fees under SB 393 as Introduced						
Change in Revenue by Fund	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Change in General Fund Revenue	\$0	\$0	\$0	\$0	\$0	-\$106,500
Change in State Special Revenue	\$0	\$0	\$0	\$512,800	\$519,200	\$2,627,600

9. These additional resources available to the state special revenue fund would be directed to implementing a web based online drivers' license renewal system, as well as the maintenance and completion of the MERLIN system. The current development costs would be funded for drivers' license information (Driver's Modernization) and completion of the customer and vehicle ownership record system.
10. Currently there are approximately 782,000 licensed drivers in the State of Montana. Renewal timeframes vary depending on the type of license. Basic licenses for persons age 21 to 67 may be license for an eight-year term. Commercial driver's licenses are issued for a maximum term of five years. There are approximately 120,000 renewals each year.
11. Drivers at every other renewal would be able to use online renewal, as licensed drivers would have to have acquired or renewed in person in Montana before they could renew online. There is an exception for a second online renewal for individuals in the armed services on active duty, if the applicant's spouse or dependent submits the required documentation for the renewal.
12. Online renewals are anticipated to have additional costs for credit card processing and other online fees. The fee is estimated at \$1.00 per online renewal and it is assumed to remain the same through FY 2019. These fees will be collected and distributed through an agency's proprietary fund. The credit card transaction costs will be passed-on to the customer and it will be processed through the vendor.
13. SB 393 grants administrative rule making authority to the department to implement the system.
14. Under present law, mail renewal is only available to licensed drivers in counties that do not have a drivers' license exam station, and for drivers who are temporarily out of the state of Montana.
15. Based on the online renewal experience in Washington State, and the experience in Montana with online vehicle registration, the department assumes that the utilization of online drivers' license renewals should max out at 10% of renewals. The department estimates that the number of users electing to use online renewal would rise about 12,000 at full implementation in FY 2019. This would represent approximately 10% of all eligible drivers. The use of the new system is assumed phased-in starting with 2,500 renewals in the last half of FY 2017, 7,500 users in FY 2018, and ultimately 12,000 in FY 2019.

16. The use of the online renewal system is expected to shift the workload at drivers' license exam stations to the home office and generate efficiencies that will reduce examinations (basic and commercial driver road tests), backlogs and wait times for appointment. It is assumed that each online renewal reduces field office workload by 12.5 person-minutes (five renewals per hour). The reduction in FY 2019 is estimated to be (12,000/5/2,080) 1.15 FTE. This reduction is likely to be shifted to the home office to enhance the customer support for online renewal processing.
17. The upfront computer mainframe changes will require 240 hours of information technology programming at an hourly rate of \$110.00 for a total cost of \$26,400. This programming is necessary to create a web service for verifying customer identity and renewal eligibility, calculating and processing renewal fees, and processing production requests to the driver licensing production vendor. These costs are expected to be incurred in FY 2017, as the online registration section of the bill is effective after December 31, 2016.

<u>Fiscal Impact:</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Expenditures:</u>				
Operating Expenses	\$0	\$2,500	\$7,500	\$12,000
Operating Exp. Programming	\$0	\$26,400	\$0	\$0
TOTAL Expenditures	\$0	\$28,900	\$7,500	\$12,000
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$15,840	\$0	\$0
State Special Revenue (02)	\$0	\$10,560	\$0	\$0
Other	\$0	\$2,500	\$7,500	\$12,000
TOTAL Funding of Exp.	\$0	\$28,900	\$7,500	\$12,000
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	(\$106,500)
State Special Revenue (02)	\$0	\$512,800	\$519,200	\$2,627,600
Other	\$0	\$2,500	\$7,500	\$12,000
TOTAL Revenues	\$0	\$515,300	\$526,700	\$2,533,100
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$15,840)	\$0	(\$106,500)
State Special Revenue (02)	\$0	\$502,240	\$519,200	\$2,627,600
Other	\$0	\$0	\$0	\$0

Long-Term Impacts:

1. The ongoing general fund loss in revenue is \$108,000 in FY 2020. State special revenue gain in FY 2020 is expected to be \$2,128,500. These amounts are expected to grow by 1.25% per year thereafter.

Technical Notes:

1. The amendments to 62-5-11, MCA, [Section 5] authorizing the online renewal system and the authority for administrative rules for the system is not effective until after December 31, 2016, midway through FY 2017.

Sponsor's Initials_____
Date_____
Budget Director's Initials_____
Date